

1 The Honorable Robert S. Lasnik  
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IN THE UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE

10 UNITED STATES OF AMERICA, )  
11 Plaintiff, ) Case No. 2:18-cv-01067-RSL  
12 v. )  
13 JAMES J. JACKSON III; )  
14 KING COUNTY; STATE OF WASHINGTON )  
15 DEPARTMENT OF REVENUE; and )  
16 JPMORGAN CHASE BANK, N.A.; )  
17 Defendants. )  
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The United States of America (“United States”), King County, State of Washington  
Department of Revenue (“State of Washington”), and JPMorgan Chase Bank, N.A. (“Chase”),  
by and through their undersigned counsel, hereby agree and stipulate as follows (“Stipulation”):

1. On July 20, 2018, the United States commenced this suit for the purpose of, *inter alia*, foreclosing federal tax liens against James J. Jackson III upon real property owned by Mr. Jackson located in King County, Washington that is commonly described as 31854 Thomas Road SE, Auburn, WA 98092 (referred to in the Complaint and herein as the “Subject Property”). The Subject Property bears King County Assessor’s Parcel No. 072106-9012. The

1 legal description of the Subject Property is as follows:

2 THE SOUTH HALF OF THE SOUTHEAST QUARTER OF THE SOUTHWEST  
3 QUARTER OF SECTION 7, TOWNSHIP 21 NORTH, RANGE 6 EAST, W.M.,  
4 IN KING COUNTY, WASHINGTON;  
EXCEPT THAT PORTION CONVEYED TO KING COUNTY BY DEED RECORDED  
UNDER RECORDING NO. 1064195;  
AND EXCEPT THAT PORTION DESCRIBED AS FOLLOWS:

5 BEGINNING AT THE NORTHEAST CORNER OF SAID SOUTH HALF;  
6 THENCE SOUTH 88°47'50" WEST ALONG THE NORTH LINE THEREOF,  
7 693.33 FEET TO THE POINT OF BEGINNING;  
THENCE CONTINUING SOUTH 88°47'50" WEST 499.98 FEET TO THE  
8 WEST LINE OF SAID SOUTH HALF;  
THENCE SOUTH 1°28'05" WEST ALONG SAID WEST LINE 15.70 FEET;  
THENCE NORTH 86°55'07" EAST 360.96 FEET;  
THENCE NORTH 87°13'11" EAST 139.99 FEET TO THE POINT OF BEGINNING.

9  
10 SITUATE IN THE COUNTY OF KING, STATE OF WASHINGTON.

11 See Dkt. # 1 at 3, ¶ 13.

12 2. King County, the State of Washington, and Chase were named as parties to this  
13 action pursuant to 26 U.S.C. § 7403 because they may claim some right, title, or interest in the  
14 Subject Property. See Dkt. # 1 at 3, ¶¶ 9-11. The United States claims no monetary relief against  
15 King County, the State of Washington, and Chase. King County, the State of Washington, and  
16 Chase have no interest in the Complaint apart from ensuring that any foreclosure sale of the  
17 Subject Property pursuant to the United States' claim in the Complaint be made subject to the  
18 liens of King County, the State of Washington, and Chase as set forth herein.

19 3. Service of process upon King County was completed on August 2, 2018. Dkt. # 8.

20 4. Service of process upon the State of Washington was completed on August 3,  
21 2018. Dkt. # 9.

22 5. Service of process upon Chase was completed on August 3, 2018. Dkt. # 10.

23 6. The United States claims that federal tax liens encumber the Subject Property and  
24 that the federal tax liens arose on the dates of assessment. See Dkt. # 1 at 8, ¶ 26. The federal tax

1 liens consist of federal tax liens for federal employment taxes (Form 941) for the periods ending  
2 March 31, 2006, June 30, 2006, September 30, 2006, December 31, 2006, and September 30,  
3 2007, March 30, 2007, and June 30, 2007 ("federal employment tax liens") and federal tax liens  
4 for federal income taxes (Form 1040) for the periods ending December 31, 2006 and December  
5 31, 2009 ("federal income tax liens") (collectively, "federal tax liens"). *Id.* at 4-5, 8, ¶¶ 16-17,  
6 26.

7 7. As more fully described in paragraphs 8-12, below, the Internal Revenue Service  
8 ("IRS") recorded Notices of Federal Tax Lien in King County pursuant to 26 U.S.C. § 6323(a) to  
9 make its federal tax liens against any and all real property owned by Mr. Jackson, including the  
10 Subject Property, effective against persons entitled to notice.

11 8. On May 8, 2008, in order to provide notice to third parties entitled to notice of the  
12 statutory liens under 26 U.S.C. § 6323, the IRS recorded a Notice of Federal Tax Lien ("NFLT")  
13 against James J. Jackson III with respect to unpaid federal employment tax liabilities (Form 941)  
14 for the tax periods ending March 31, 2006, June 30, 2006, September 30, 2006, December 31,  
15 2006, and September 30, 2007, with the King County Recorder's Office (Recording No.  
16 20080508001060).

17 9. On December 15, 2008, in order to provide notice to third parties entitled to  
18 notice of the statutory liens under 26 U.S.C. § 6323, the IRS recorded a NFLT against James J.  
19 Jackson III with respect to unpaid federal employment tax liabilities (Form 941) for the tax  
20 periods ending March 31, 2007 and June 30, 2007, with the King County Recorder's Office  
21 (Recording No. 20081215000760).

22 10. On October 14, 2009, in order to provide notice to third parties entitled to notice  
23 of the statutory liens under 26 U.S.C. § 6323, the IRS recorded a NFLT against James J. Jackson  
24 III with respect to unpaid federal income tax liabilities (Form 1040) for the tax periods ending

1 December 31, 2006 and December 31, 2008, with the King County Recorder's Office  
2 (Recording No. 20091014000449).

3 11. On October 3, 2017, in order to provide notice to third parties entitled to notice of  
4 the statutory liens under 26 U.S.C. § 6323, the IRS recorded a NFTL Refile against James J.  
5 Jackson III with respect to unpaid federal employment tax liabilities (Form 941) for the tax  
6 periods ending March 31, 2006, June 30, 2006, September 30, 2006, December 31, 2006, and  
7 September 30, 2007, with the King County Recorder's Office (Recording No. 20171003001283).

8 12. On October 8, 2018, in order to provide notice to third parties entitled to notice of  
9 the statutory liens under 26 U.S.C. § 6323, the IRS recorded a NFTL Refile against James J.  
10 Jackson III with respect to unpaid federal employment tax liabilities for the tax periods ending  
11 March 31, 2007 and June 30, 2007, with the King County Recorder's Office (Recording No.  
12 20181008000748).

13 13. King County holds a county tax lien encumbering the Subject Property for the  
14 2019 real property taxes that will be levied in late 2018. In addition, King County's property tax  
15 lien for 2020 real property taxes was initiated on January 1, 2019, subject to the county's  
16 property tax levy in late 2019. ("county tax lien")

17 14. The State of Washington holds state tax liens encumbering the Subject Property  
18 that secure unpaid state tax debts pertaining to Jackson Painting that are due and owing from Mr.  
19 Jackson for the tax periods August 1, 2004-April 30, 2005 and August 1, 2005-August 31, 2006  
20 ("state tax liens"). The state tax liens are based on tax debts that were assessed on July 14, 2009.  
21 The State of Washington filed a Tax Warrant No. 116513A in the King County Superior Court  
22 under Case No. 09-2-28386-9 KNT on July 30, 2009. A Judgment was filed in the King County  
23 Superior Court under Case No. 09-9-28177-2 on July 30, 2009.

24 15. Chase holds a lien against the Subject Property based upon a deed of trust

Stipulation Between United States, King County, State Of  
Washington Department Of Revenue, and JPMorgan Chase Bank,  
N.A. Re: Relative Priority Of Liens Against Subject Property  
(Case No. 2:18-cv-01067-RSL)

U.S. DEPARTMENT OF JUSTICE  
Tax Division, Western Region  
P.O. Box 683  
Washington, D.C. 20044  
Telephone: 202-616-3366

1 executed by Mr. Jackson on or about March 27, 2003 that was recorded with King County  
2 Recorder's Office on April 8, 2003 (Recording No. 20030408001386) ("Mortgage Lien"). Mr.  
3 Jackson used the Subject Property as collateral to secure a loan.

4 16. Pursuant to 26 U.S.C. § 6323(b)(6), the parties agree that: King County is entitled  
5 to priority over Chase's Mortgage Lien, federal tax liens, and state tax liens on the Subject  
6 Property by virtue of delinquent ad valorem property taxes; King County's county tax lien is  
7 entitled to first priority from the net proceeds of sale (after costs of sale); and King County's  
8 county tax lien will be treated as such in any order of sale and/or decree of foreclosure proposed  
9 by the United States in this action.

10 17. The parties agree that: Chase's Mortgage Lien is entitled to priority over the  
11 federal tax liens and state tax liens on the Subject Property; Chase's Mortgage Lien is entitled to  
12 second priority from the net proceeds of sale (after costs of sale); and Chase's Mortgage Lien  
13 will be treated as such in any order of sale and/or decree of foreclosure proposed by the United  
14 States in this action.

15 18. The parties agree that: the United States' federal employment tax liens are entitled  
16 to priority over the state tax liens on the Subject Property based on their respective assessment  
17 dates; the United States' federal employment tax liens are entitled to third priority from the net  
18 proceeds of sale (after costs of sale); and the United States' federal employment tax liens will be  
19 treated as such in any order of sale and/or decree of foreclosure proposed by the United States in  
20 this action.

21 19. The parties agree that: the State of Washington's state tax liens are entitled to  
22 priority over the federal income tax liens on the Subject Property based on their respective  
23 assessment dates; the State of Washington's state tax liens are entitled to fourth priority from the  
24 net proceeds of sale (after costs of sale), and the State of Washington's state tax liens will be

1 treated as such in any order of sale and/or decree of foreclosure proposed by the United States in  
2 this action.

3       20. The parties agree that: the United States' federal income tax liens are entitled to  
4 fifth priority from the net proceeds of sale (after costs of sale); and the United States' federal  
5 income tax liens will be treated as such in any order of sale and/or decree of foreclosure  
6 proposed by the United States in this action.

7       21. Therefore, in the event the Court permits the sale of the Subject Property, the  
8 United States will include in its proposed order of sale a provision that the sale of the Subject  
9 Property shall be subject to the liens of the parties as described herein, and that such liens shall  
10 be satisfied from the net proceeds of sale, defined as the proceeds resulting from the sale of the  
11 Subject Property less costs of sale, to cover their liens or ownership interest due and owing at the  
12 time of sale, in the following order, until the liens are satisfied or the net proceeds of sale  
13 exhausted:

- 14       (1) King County for county tax lien(s);
- 15       (2) Chase for Mortgage Lien;
- 16       (3) United States for federal employment tax liens;
- 17       (4) State of Washington for state tax liens;
- 18       (5) United States for federal income tax liens; and
- 19       (6) Any balance remaining after the above payments shall be held by the Clerk until  
20 further order of the Court.

21       22. The parties agree upon written request in connection with a sale of the Subject  
22 Property, King County, the State of Washington, and Chase will promptly provide the United  
23 States with a payoff figure on their respective liens as of the date of sale.

24       23. The parties agree to bear their own costs and attorney's fees in this action, except

1 for the costs incurred in selling the Subject Property, which will be reimbursed prior to satisfying  
2 the outstanding liens on the Subject Property. This Stipulation and Order does not include costs  
3 and attorney's fees incurred outside of, or separate from, this action.

4 24. The United States will not seek any order or judgment and no order or judgment  
5 shall be entered in this action for the United States and against King County, the State of  
6 Washington, and Chase for any award for money, damages, fees or costs, including but not  
7 limited to attorneys' fees, and/or equitable relief.

8 25. Unless otherwise ordered by the Court, King County, the State of Washington,  
9 and Chase should be excused from further participation in this action, including but not limited  
10 to court hearings, discovery, alternative dispute resolution, and trial in this action and shall be  
11 non-parties for purposes of discovery. All proposed orders and judgments shall be served on  
12 King County, the State of Washington, and Chase prior to entry. King County, the State of  
13 Washington, and Chase shall have the opportunity to review, and provide any response to if they  
14 so choose, any motion to confirm the sale of the Subject Property as well as file appropriate  
15 documentation to establish the lawful amount it is owed at the time of sale. King County, the  
16 State of Washington, and Chase agree to be bound by any judgment in this action that is  
17 consistent with this Stipulation and Order, and any judgment shall incorporate the terms of this  
18 stipulation and order.

19 26. The parties so agree and request an order ("Order") confirming the foregoing  
20 Stipulation.

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1        27. This Stipulation may be executed in duplicate and separate counterparts, and all  
2 executed duplicates and counterparts together shall be construed as a single Stipulation.

3        Respectfully submitted this 26th day of February, 2019.

4        RICHARD E. ZUCKERMAN  
5        Principal Deputy Assistant Attorney General

6        /s/ Yen Jeannette Tran  
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61       *Attorneys for JPMorgan Chase Bank, N.A.*

## ORDER

On reading the foregoing Stipulation between the United States, King County, State of Washington Department of Revenue, and JPMorgan Chase, N.A. and good cause appearing therefore, the Court adopts the Stipulation set forth above. It is SO ORDERED and APPROVED.

APPROVED.

DATED: Feb.27,2019

Robert S. Lasnik